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SUBJECT: THIRD U.S.-CHINA TOURISM WORKING GROUP HELD IN SANYA

11. (SBU) SUMMARY: The Third U.S.-China Tourism Working Group (TWG) meeting under the Joint Commission on Commerce and Trade (JCCT) was held on January 13, 2010, in Sanya, China, chaired by U.S. Deputy Assistant Secretary for Services Joel Secundy and Vice Chairman Zhu Shanzhong of the China National Tourism Administration (CNTA). The two sides highlighted recent achievements, which included a doubling of approved CNTA travel agents and an increase in Chinese visitors to the U.S. in 2009, in spite of the economic crisis. CNTA raised a range of service quality issues and infrastructure concerns such as airport seating and bilingual signage. The U.S. responded that some service issues stemmed from the price sensitivity of Chinese tourists, and raised its own concerns about Chinese agents using non-approved U.S. agencies and limits on direct advertising and promotion in China. The chairs signed a 2010 Work Plan which includes tourism export promotion and a Tourism Directors Summit. The next working group meeting will be held in the United States.
END SUMMARY.

12. (SBU) U.S. and Chinese delegations met in Sanya, Hainan, China on January 13, 2010 for the Third Tourism Working Group (TWG) meeting under the Joint Commission on Commerce and Trade (JCCT). The meeting was chaired by Deputy Assistant Secretary for Services, Joel Secundy for the United States and Vice Chairman Zhu Shanzhong on behalf of the China National Tourism Administration (CNTA). VC Zhu explained the choice of venue was due to a new State Council decision to make Hainan into a world-class "International Tourism Island," under which the island would enjoy preferential policies, including new duty free privileges. Zhu observed, however, that island infrastructure was inadequate, and that it would take a lot of work to turn the proclamation into a reality.

13. (SBU) VC Zhu noted that the working group's efforts have helped increase U.S.-China tourism. Although U.S. tourists to China dropped 5 percent from January to November 2009 to 1.58 million, Chinese tourist to the U.S. actually rose 5 percent during the same period to 760,000. (Note: These statistics only measure tourists travelling on direct flights.) DAS Secundy noted the positive effect that rising Chinese tourism was having on the balance of trade in tourism, and encouraged the working group to continue the momentum of progress.

14. (SBU) Mr. Long Wei, Manager of Travel Agencies for the CNTA began the Chinese introduction, declaring 2010 the "year of improving travel agencies." Long said China had 1.2 billion (potential) domestic tourists and the country was receiving much attention from around the world with promotions for outbound travel. Between August 2008 and December 2008, 316,000 Chinese tourists made the United States their first overseas stop, on average 63,200 per

month. Between January and November 2009 the number was 760,200, or 69,100 per month, a 10 percent increase. (Note: These statistics measure person/trips, so the same individual may be counted more than once).

15. (SBU) Long observed that with the recent expansion of the Tourism MOU, 700 Chinese travel agencies are authorized to book package tours to the United States; roughly 70 percent of the total number of travel agencies with CNTA approval. But Long admitted that group travel under the MOU was not as much as he had expected. Long presented a case study for Jilin Province that sent 220 groups for a total 3,000 people to the United States on a variety of 6-14 day package tours to the mainland and Hawaii, with the cost ranging from RMB 10,000 to 25,000 (USD 1,466 to 3,665). Long also discouraged U.S. industry from starting a pricing war, but rather encouraged them to emphasize good service.

16. (SBU) Long also raised a list of problems cited by CNTA travel agencies with U.S. tours. Price competition among land operators resulted in lower service quality -- some firms had drivers double as the tour guides, subcontracted without monitoring quality, or took tourists only to shops which offered the U.S. agent a sales commission. U.S. travel focuses too heavily on the east and west coasts, with few opportunities in other regions. Airline overbooking causes problems for tour groups. At airports, seating is insufficient and warning signs are almost never offered in Chinese. Finally, Chinese visitors are unaware of tourism resources in the U.S. due to the lack of promotion in the Chinese market.

17. (SBU) Long said CNTA would like to intensify tourism promotion campaigns (especially for tailored tourism), and he asked the U.S. to provide more information on our legal framework and safety. He

BEIJING 00000312 002 OF 003

also hoped the U.S. government would pay more attention to tourism issues. CNTA continues to track problems Chinese tour operators encounter with U.S. land operators, and asked the U.S. delegation to find ways to monitor these groups to eliminate issues with inadequate vehicles, bad guides and misrepresented shopping experiences. Long also expressed hope that the U.S. would work to improve the Chinese language resources at tourist destinations and provide more convenient services to Chinese tourists interested in travel to the southern and central parts of the U.S. CNTA offered to facilitate the approval of the "Visit USA" office of the National Tourism Association (NTA) that will be located in Shanghai and will seek support from CNTA Shanghai.

18. (SBU) Mr. Liu Kezhi, DG of Marketing and International Cooperation Dept, reported on the development of the Chinese tourism industry. China is now the fourth largest destination in the world and the first outbound market in Asia. In 2009, total tourism revenues were RMB 1.26 trillion (USD 184 billion), up 9 percent; and the volume of domestic tourism was estimated at 1.9 billion person/trips, up 11 percent. Liu reported USD 39 billion in currency exchange. China saw 47.5 million outbound person/trips in 2009, up 3.3 percent.

19. (SBU) Liu also explained that tourism was a key element in overall development plans for rural areas. On December 1, 2009, the State Council issued an Opinion on the acceleration of tourism development. The Chinese government hopes tourism will become an "economic pillar" and is actively encouraging tourism consumption. At the end of December, the State council issued another Opinion pushing forward construction efforts to develop Hainan into an internationally recognized tourist destination. CNTA promised to share an English translation of the Opinion with the U.S. delegation.

110. (SBU) Liu cited Australia as a good model for tourism promotion. The Australian Tourism Board organizes seminars for Chinese travelers and holds an annual review meeting with CNTA. Tourism Australia trains the staff of Chinese outbound tour operators, creating an "Aussie specialist" with a good understanding of the tourism resources available in the country.

111. (SBU) NTA President Lisa Simon said that the NTA had amended the

requirements in June 2009 for U.S. tour operators under the MOU to address some of the problems the Chinese had previously raised concerning the quality and safety of tours offered by NTA-approved agencies. These new requirements on safety, insurance and accurate representation can be found on the NTA website in "Rules of the Road" under the MOU. She explained the NTA "Visit USA" office that will be set up in Shanghai will help provide information about U.S. travel and support to the Chinese travel agents that the CNTA has long been requesting. Charles Reynolds, Visa officer at the U.S. Embassy in Beijing reported that the United States issued 362,185 business and tourism visas in China in 2009, 8.6 percent more than in 2008. On average, more than four out of five applications were approved.

¶12. (SBU) Simon echoed the mutual sentiment of achievement in promoting tourism, but also raised some concerns from the U.S. perspective. Although the NTA updated its list of approved tour operators on its website every six months, the corresponding list on the CNTA site was an old one from 2008. NTA would like to update its own list on their "Visit USA" website, but needed some basic information on the Chinese travel agencies. Simon noted that price sensitivity by Chinese agents and consumers was an important factor in driving tour prices down. In answer to the question of American companies not marketing adequately, she brought up the inability of American firms to directly advertise as hampering that effort. Simons also observed that Chinese travel agents do not always use NTA approved partners in the U.S., and that these agents do exist throughout the country, not just along the coasts. Finally, Simons asked CNTA to reconsider their prohibition on the promotion of legal gaming, since the legal gaming industry was suffering since they could not conduct any promotions in China.

¶13. (SBU) In the question and answer portion of the meeting, CNTA asked if a U.S. company hires a bus, which party has legal responsibility; and what is the requirement for insurance for travel agents? NTA answered that the U.S. Department of Transportation (DOT) requires insurance for any motor vehicle, and that travel agents are required to carry at least 1 million dollars in liability

BEIJING 00000312 003 OF 003

insurance. NTA inquired about rogue Chinese travel agents going around NTA approved agencies. CNTA reported they would deal severely with any offender among their members, and invited the U.S. to report incidents to Mr. Liu since all Chinese agents were required to use an NTA approved agency.

¶14. (SBU) DAS Secundy and VC Liu jointly declared the meeting a success, and concluded by signing the Work Plan for 2010. The Work Plan will include (1) mutual support of tourism export promotion; (2) cooperation in tourism investment; (3) bilateral tourism development support through the promotion of information exchange; (4) local-level tourism cooperation through the "China-U.S. Tourism Directors Summit;" and (5) enhanced communication between the CNTA and the USDOC to ensure successful travel under the MOU. The next working group meeting will be held in the United States.

¶15. (SBU) United States Delegation:

- Joel Secundy, DAS, Department of Commerce (DOC)
- Isabel Hill, Office of Tourism, DOC
- Sandra Guzman, Market Access and Compliance, DOC
- Gwen Lyle, Commercial Officer, Beijing FCS
- David Gossack, Principal Comm. Off., Shanghai FCS
- Charles Reynolds, Consular Officer, Embassy-Beijing
- Lisa Simon, President, National Tourism Assoc. (NTA)
- Matt Grayson, Government Relations, NTA

¶16. (SBU) Chinese Delegation:

- Mr. Zhu Shanzhong, Vice Chairman, CNTA
- Mr. Liu Kezhi, DG, Marketing and Intl. Coop. Dept., CNTA
- Mr. Long Wei, Div. Dir. of Travel Agency Mgmt., CNTA
- Ms. Tang Bin, Div. Dir. of Public Service, CNTA
- Ms. Wang Yanjie, Dep. Div. Dir., Intl. Coop. Dept., CNTA
- Ms. Zhang Li, Intl. Coop. Dept., CNTA
- Ms. Zhu Ning, Intl. Coop. Dept., CNTA
- Mr. Chen Chen, Secretary to Vice Chairman Zhu

